

# PERAC AUDIT REPORT



Malden

Contributory Retirement System



JAN. 1, 2006 - DEC. 31, 2008



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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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November 3, 2009

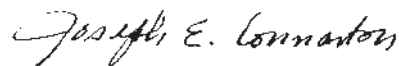
The Public Employee Retirement Administration Commission has completed an examination of the Malden Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2006 to December 31, 2008. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission.

We commend the Malden Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiners James Ryan and Carol Niemira who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton  
Executive Director



# STATEMENT OF LEDGER ASSETS AND LIABILITIES

AS OF DECEMBER 31,			
	2008	2007	2006
<b>Net Assets Available For Benefits:</b>			
Cash	\$34,993,868	\$8,808,917	\$5,535,381
Fixed Income Securities	47,809,015	52,984,548	43,303,624
Equities	47,097,392	102,657,889	95,520,354
Interest Due and Accrued	421,830	602,175	479,479
Accounts Receivable	4,097,953	4,462,940	3,952,093
Accounts Payable	(487,540)	(142,099)	(45,218)
<b>Total</b>	<u>\$133,932,518</u>	<u>\$169,374,371</u>	<u>\$148,745,714</u>
<b>Fund Balances:</b>			
Annuity Savings Fund	\$35,827,277	\$33,331,356	\$30,777,681
Annuity Reserve Fund	11,346,754	11,617,744	12,400,991
Pension Fund	11,422,261	2,444,705	5,331,399
Military Service Fund	10,170	9,135	6,316
Expense Fund	0	0	0
Pension Reserve Fund	<u>75,326,057</u>	<u>121,971,429</u>	<u>100,229,327</u>
<b>Total</b>	<u>\$133,932,518</u>	<u>\$169,374,371</u>	<u>\$148,745,714</u>

## STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2006)	\$29,476,078	\$12,086,336	\$8,183,578	\$6,279	\$0	\$88,912,599	\$138,664,870
Receipts	3,551,726	368,183	8,442,798	38	738,536	11,316,728	24,418,009
Interfund Transfers	(1,612,980)	1,612,980	0	0	0	0	0
Disbursements	(637,144)	(1,666,508)	(11,294,976)	0	(738,536)	0	(14,337,164)
Ending Balance (2006)	30,777,681	12,400,991	5,331,399	6,316	0	100,229,327	148,745,714
Receipts	3,623,582	354,403	8,606,571	2,819	704,204	21,742,103	35,033,682
Interfund Transfers	(653,803)	653,803	0	0	0	0	0
Disbursements	(416,103)	(1,791,453)	(11,493,265)	0	(704,204)	0	(14,405,025)
Ending Balance (2007)	33,331,356	11,617,744	2,444,705	9,135	0	121,971,429	169,374,371
Receipts	3,822,930	337,141	8,830,500	1,034	705,599	(35,010,397)	(21,313,193)
Interfund Transfers	(1,124,326)	1,124,326	11,634,975	0	0	(11,634,975)	0
Disbursements	(202,684)	(1,732,457)	(11,487,920)	0	(705,599)	0	(14,128,659)
Ending Balance (2008)	<u>\$35,827,277</u>	<u>\$11,346,754</u>	<u>\$11,422,261</u>	<u>\$10,170</u>	<u>\$0</u>	<u>\$75,326,057</u>	<u>\$133,932,518</u>

# STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2008	2007	2006
<b>Annuity Savings Fund:</b>			
Members Deductions	\$3,451,636	\$3,313,962	\$3,145,843
Transfers from Other Systems	92,355	64,603	97,948
Member Make Up Payments and Re-deposits	83,393	64,258	139,451
Member Payments from Rollovers	0	0	0
Investment Income Credited to Member Accounts	195,546	180,758	168,484
Sub Total	<u>3,822,930</u>	<u>3,623,582</u>	<u>3,551,726</u>
<b>Annuity Reserve Fund:</b>			
Investment Income Credited to the Annuity Reserve Fund	<u>337,141</u>	<u>354,403</u>	<u>368,183</u>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	176,102	173,503	184,267
	473,342	482,835	522,968
Pension Fund Appropriation	<u>8,181,057</u>	<u>7,950,233</u>	<u>7,735,563</u>
Sub Total	<u>8,830,500</u>	<u>8,606,571</u>	<u>8,442,798</u>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account of Military Service	980	2,781	0
Investment Income Credited to the Military Service Fund	55	38	38
Sub Total	<u>1,034</u>	<u>2,819</u>	<u>38</u>
<b>Expense Fund:</b>			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>705,599</u>	<u>704,204</u>	<u>738,536</u>
Sub Total	<u>705,599</u>	<u>704,204</u>	<u>738,536</u>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	0	0	0
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	1,655	2,443	14,419
Miscellaneous Income	0	0	0
Excess Investment Income (Loss)	<u>(35,012,052)</u>	<u>21,739,660</u>	<u>11,302,309</u>
Sub Total	<u>(35,010,397)</u>	<u>21,742,103</u>	<u>11,316,728</u>
<b>Total Receipts</b>	<u>(\$21,313,193)</u>	<u>\$35,033,682</u>	<u>\$24,418,009</u>

# STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2008	2007	2006
<b>Annuity Savings Fund:</b>			
Refunds to Members	\$199,039	\$286,023	\$419,010
Transfers to Other Systems	<u>3,644</u>	<u>130,080</u>	<u>218,134</u>
Sub Total	<u>202,684</u>	<u>416,103</u>	<u>637,144</u>
<b>Annuity Reserve Fund:</b>			
Annuities Paid	1,711,312	1,695,987	1,655,554
Option B Refunds	<u>21,145</u>	<u>95,465</u>	<u>10,954</u>
Sub Total	<u>1,732,457</u>	<u>1,791,453</u>	<u>1,666,508</u>
<b>Pension Fund:</b>			
Pensions Paid:			
Regular Pension Payments	7,069,088	7,067,609	7,011,123
Survivorship Payments	664,624	729,465	641,797
Ordinary Disability Payments	142,923	139,679	127,438
Accidental Disability Payments	2,372,552	2,266,562	2,159,855
Accidental Death Payments	436,666	464,006	514,219
Section 101 Benefits	114,401	99,837	91,569
3 (8) (c) Reimbursements to Other Systems	249,654	245,570	221,621
State Reimbursable COLA's Paid	408,785	448,654	495,472
Chapter 389 Beneficiary Increase Paid	<u>29,227</u>	<u>31,884</u>	<u>31,882</u>
Sub Total	<u>11,487,920</u>	<u>11,493,265</u>	<u>11,294,976</u>
<b>Military Service Fund:</b>			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>			
Board Member Stipend	20,500	23,000	23,000
Salaries	156,644	145,481	135,795
Legal Expenses	36,473	19,693	38,787
Medical Expenses	0	0	0
Travel Expenses	3,821	4,516	11,709
Administrative Expenses	11,314	7,566	16,158
Furniture and Equipment	0	0	524
Management Fees	409,578	425,376	461,605
Custodial Fees	35,196	35,990	34,434
Consultant Fees	0	0	0
Rent Expenses	0	0	0
Service Contracts	24,694	35,429	10,000
Fiduciary Insurance	<u>7,378</u>	<u>7,153</u>	<u>6,524</u>
Sub Total	<u>705,599</u>	<u>704,204</u>	<u>738,536</u>
<b>Total Disbursements</b>	<u>\$14,128,659</u>	<u>\$14,405,025</u>	<u>\$14,337,164</u>

# INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2008	2007	2006
<b>Investment Income Received From:</b>			
Cash	\$299,986	\$187,426	\$168,772
Fixed Income	3,189,936	2,654,599	2,866,781
Equities	1,981,195	2,537,310	1,849,421
Commission Recapture	0	0	0
<b>Total Investment Income</b>	<u>5,471,118</u>	<u>5,379,335</u>	<u>4,884,974</u>
<b>Plus:</b>			
Realized Gains	2,152,231	2,471,904	711,797
Unrealized Gains	3,042,753	23,597,209	12,381,524
Interest Due and Accrued - Current Year	<u>421,830</u>	<u>602,175</u>	<u>479,479</u>
Sub Total	<u>5,616,815</u>	<u>26,671,289</u>	<u>13,572,800</u>
<b>Less:</b>			
Paid Accrued Interest on Fixed Income Securities	(294,275)	(360,027)	(637,988)
Realized Loss	(12,496,670)	(4,209,231)	(2,945,450)
Unrealized Loss	(31,468,525)	(4,022,823)	(1,845,223)
Interest Due and Accrued - Prior Year	<u>(602,175)</u>	<u>(479,479)</u>	<u>(451,564)</u>
Sub Total	<u>(44,861,645)</u>	<u>(9,071,561)</u>	<u>(5,880,225)</u>
<b>Net Investment Income (Loss)</b>	<u>(33,773,712)</u>	<u>22,979,063</u>	<u>12,577,550</u>
<b>Income Required:</b>			
Annuity Savings Fund	195,546	180,758	168,484
Annuity Reserve Fund	337,141	354,403	368,183
Military Service Fund	55	38	38
Expense Fund	<u>705,599</u>	<u>704,204</u>	<u>738,536</u>
<b>Total Income Required</b>	<u>1,238,340</u>	<u>1,239,403</u>	<u>1,275,240</u>
Net Investment Income (Loss)	<u>(33,773,712)</u>	<u>22,979,063</u>	<u>12,577,550</u>
Less: Total Income Required	<u>1,238,340</u>	<u>1,239,403</u>	<u>1,275,240</u>
<b>Excess Income (Loss) To The Pension Reserve Fund</b>	<u>(\$35,012,052)</u>	<u>\$21,739,660</u>	<u>\$11,302,309</u>



## SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2008		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$34,993,868	26.9%
Fixed Income	47,809,015	36.8%
Equities	<u>47,097,392</u>	<u>36.3%</u>
<b>Grand Total</b>	<b><u>\$129,900,275</u></b>	<b><u>100.0%</u></b>

For the year ending December 31, 2008, the rate of return for the investments of the Malden Retirement System was -20.47%. For the five-year period ending December 31, 2008, the rate of return for the investments of the Malden Retirement System averaged 3.72%. For the twenty-four year period ending December 31, 2008, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Malden Retirement System was 9.58%.

## SUPPLEMENTARY INVESTMENT REGULATIONS

The Malden Retirement System has not submitted any supplementary investment regulations to the Public Employee Retirement Administration Commission.

# NOTES TO FINANCIAL STATEMENTS

## NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Malden Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

### ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

### PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

#### **Group 1:**

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

#### **Group 2:**

Certain specified hazardous duty positions.

#### **Group 4:**

Police officers, firefighters, and other specified hazardous positions.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

### RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

### RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

### SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

## NOTES TO FINANCIAL STATEMENTS (Continued)

### AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

### DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

### WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

#### ORDINARY DISABILITY

**Eligibility:** Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

**Retirement Allowance:** Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

#### ACCIDENTAL DISABILITY

**Eligibility:** Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

**Retirement Allowance:** 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$708.60 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### ACCIDENTAL DEATH

**Eligibility:** Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

**Allowance:** An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

### DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

### DEATH IN ACTIVE SERVICE

**Allowance:** An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

### METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

**Option A:** Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

**Option B:** A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

**Option C:** A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.



## NOTES TO FINANCIAL STATEMENTS (Continued)

### ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Malden Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

January 11, 1995

Membership:

City - Redevelopment - Housing employees shall become members of system when hired as directed by Chapter 32, section 3.

Part-time employees meeting qualifications of Chapter 32 and rules of retirement board as follows: 20 hours per week, 39 weeks per year.

Employees of temporary nature found to be ineligible for membership in system upon becoming permanent employee shall have privilege of purchasing past service, so allowed by board.

Superannuation Retirement:

Applicant after meeting all qualifications of Chapter 32, section 5 must complete proper forms, setting date - options and etc., all forms must be witnessed and be signed by spouse. Form showing his rights and benefits must be witnessed for signature of applicant.

Ordinary Disability: Applicant shall present a letter stating disability and treatment from his attending physician before receiving application for ordinary disability. Qualifications required by Chapter 32, section 6 must be met by applicant and proper form signed and witnessed, in accordance with P.E.R.A. regulations.

Accidental Disability:

Applicant shall present a letter stating disability and treatment from his attending physician before receiving application for accidental disability. Applicant shall sign release for all Departmental, Doctor and Hospital medical records. Applicant shall become available for examinations by a doctor for evaluation examinations if desired by retirement board. Upon meeting fully all qualifications as required by Chapter 32, section 7, applicant must sign proper form having same witnessed, in accordance with P.E.R.A. regulations.

Refunds:

Members desiring refunds of deductions upon leaving employment, after making proper application approved by the board, must pick up check in person, and sign proper form upon receipt of check.

Two Applications:

Board ruling that only one accidental disability application be allowed before the board at one time. Until final determination is made on an existing application for disability, a second application shall not be acted upon for one year from date of first application or until such time as first application is adjudicated.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

October 17, 1989

Buy-Backs:

Employees paid for services from Federal Community Development Grants and members of the retirement system seeking to buy back service credit paid from Community Development Grants shall not receive approval for creditable service for this service until funding for said service is received from Community Development funds received by the City. This action was taken in accordance with the provisions of chapter 66I of the acts of 1983, section 24.

November 25, 1987

Buy-Backs:

Part time employees hired after January 1, 1988 not allowed prior service credit for periods of less than twenty hours per calendar week.

January 11, 1985

Various:

Approval of rules on the following subjects: Name; board; staff; staff salaries; staff benefits; staff hiring; chairman of board; board policy; ex-officio member; executive secretary; meetings; investments; investment counselor; membership; superannuation retirement; ordinary disability; accidental disability; refunds; vouchers; safe deposit vault; disbursement of funds; two applications; organization of staff.

May 8, 2008

Travel Regulations:

The Board has adopted Travel Supplemental Regulations under the provisions of M.G.L. c.7, § 50 and M.G.L. c.32, § 21(4). (Regulations available upon written request)

## NOTES TO FINANCIAL STATEMENTS (Continued)

#### NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the City Controller who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Domenic Fermano, Chairman

Appointed Member: Joanne Croken                      Term Expires: 11/30/09

Elected Member: Warren Atkinson, Jr. Term Expires: 11/30/11

Elected Member: Douglas Eisnor                      Term Expires: 11/30/11

Appointed Member: Ronald Hogan                      Term Expires: 05/19/12

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	\$50,000,000 Fiduciary Liability
Ex-officio Member:	)	and \$1,000,000 Fidelity Bond
Elected Members:	)	MACRS Master Policy
Appointed Members:	)	St. Paul Travelers, National Union
Staff Employee:	)	Fire, and Arch

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the Malden Retirement System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2008.

The actuarial liability for active members was	\$106,862,710
The actuarial liability for retired and inactive members and survivors was	<u>109,634,853</u>
The total actuarial liability was	216,497,563
System assets as of that date were	<u>158,605,001</u>
 The unfunded actuarial liability was	 <u>\$57,892,562</u>
The ratio of system's assets to total actuarial liability was	73.3%
As of that date the total covered employee payroll was	\$37,542,993

The normal cost for employees on that date was 8.29% of payroll

The normal cost for the employer was 6.34% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	8.00% per annum
Rate of Salary Increase:	Service-based with ultimate rates of 4.75%, 5.00%, and 5.25% per annum for Groups 1, 2, and 4 respectively

### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2008

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2008	\$158,605,001	\$216,497,563	\$57,892,562	73.3%	\$37,542,993	154.2%
1/1/2006	\$138,779,587	\$194,548,900	\$55,769,313	71.3%	\$33,767,081	165.2%
1/1/2004	\$135,257,841	\$178,198,164	\$42,940,323	75.9%	\$30,591,994	140.4%

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 6 - MEMBERSHIP EXHIBIT

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Retirement in Past Years</b>										
Superannuation	29	8	17	53	38	13	11	21	12	17
Ordinary Disability	1	1	2	0	0	0	0	2	0	0
Accidental Disability	2	2	5	0	7	9	1	5	2	3
<b>Total Retirements</b>	32	11	24	53	45	22	12	28	14	20
Total Retirees, Beneficiaries and Survivors	661	642	622	660	712	770	701	703	695	682
Total Active Members	891	949	903	838	857	888	918	894	908	913
<b>Pension Payments</b>										
Superannuation	\$4,307,808	\$4,464,735	\$4,564,087	\$4,952,734	\$6,104,002	\$6,611,381	\$6,674,170	\$7,011,123	\$7,067,609	\$7,069,088
Survivor/Beneficiary Payments	381,832	377,943	397,547	453,273	501,388	648,346	608,978	641,797	729,465	664,624
Ordinary Disability	125,795	129,267	213,400	159,978	169,468	159,592	122,139	127,438	139,679	142,923
Accidental Disability	1,508,300	1,540,714	1,623,464	1,704,864	1,833,789	2,024,377	2,050,015	2,159,855	2,266,562	2,372,552
Other	1,307,486	1,342,446	1,266,441	1,205,281	1,274,389	1,246,128	1,294,176	1,354,763	1,289,951	1,238,733
<b>Total Payments for Year</b>	<u>\$7,631,221</u>	<u>\$7,855,105</u>	<u>\$8,064,939</u>	<u>\$8,476,130</u>	<u>\$9,883,036</u>	<u>\$10,689,825</u>	<u>\$10,749,478</u>	<u>\$11,294,976</u>	<u>\$11,493,265</u>	<u>\$11,487,920</u>

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